

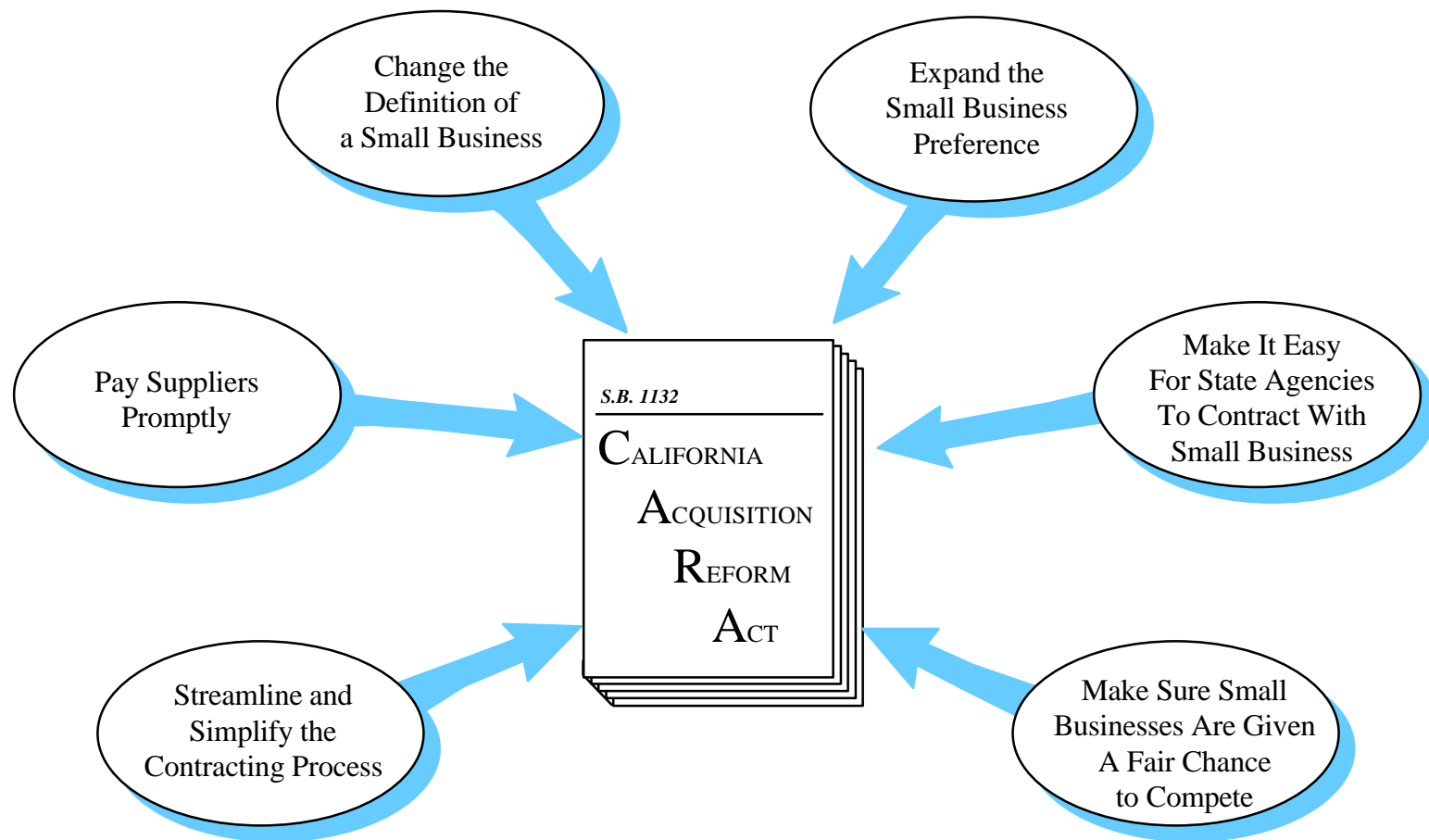
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1. Current Barriers to Increased Small Business Participation

1. Outdated definition of “small business” which restricts eligibility to micro-businesses.
2. Limited, or diluted, application of 5 percent small business preference.
3. Bid process complexity, and the amount of time and effort needed to prepare bids, particularly for lower value transactions
4. Overemphasis on non-substantive administrative detail, exact compliance with instructions, and lowest costs.
5. Ongoing paperwork burdens and bureaucracy during the term of the contract.
6. Agonizingly slow payment process.

II. Key Provisions to Increase Small Business Participation



A. Changing the Definition of a Small Business

Government Code, Section 14837

“Small business” means an independently owned and operated business; the principal office is located in California; the officers of such business are domiciled in California; and which together with affiliates; a) has 100 or fewer employees and average annual gross receipts of \$10,000,000 or less; or b) is a manufacturer, as defined, with 200 or fewer employees.

- The director may periodically adjust the average annual gross receipt level, to reflect changes in the California Consumer Price Index for all items.
- To the extent necessary, to reflect unique variations or characteristics of different industries, the director may establish higher qualifying standards or alternative standards based on other applicable criteria. Such standards shall be established by regulation, and shall preclude the qualification of businesses which are dominant in their industry.

“Manufacturer” means a business concern which is primarily engaged in the chemical or mechanical transformation of raw materials or processed substances into new products.

B. Expanding the Small Business Preference

Government Code, Section 14838

- Enable application of the 5 percent small business preference to all types of competitive acquisitions and to all of the bid evaluation criteria, not just to the cost component where factors other than cost are considered.
- Provide large businesses with a Small Business Subcontractor Preference:
 - Up to 5 percent, depending on the level of small business subcontractor participation in proportion to the total amount of the contract
 - | <u>Level of Small Business Subcontractor Participation</u> | <u>Preference Percentage</u> |
|--|------------------------------|
| Less than 3% | 0% |
| 3% to 10% | 1% |
| 11% to 20% | 2% |
| 21% to 30% | 3% |
| 31% to 40% | 4% |
| 41% or more | 5% |
 - Disallow, if would result in denial of award to a small business.
- Reaffirm the need for state agencies to establish plans to increase small business participation in State contracting.

C. Paying Suppliers Promptly

- Enable payment in advance of receipt of goods or services where it makes sense to do so (e.g., subscriptions).
- Enable payment of task withholds prior to final contract completion.
- Enact a new “California Prompt Payment Act” (Government Code 926.15):
 - Simplify and clarify invoicing and payment provisions
 - Require **automatic** payment of late payment penalties (i.e., 0.25 percent per day for certified small business)
 - Compile and make publicly available an annual performance report.
- Make every state agency continuously undertake performance improvement initiatives which focus on prompt payment.

D. Making the State Friendlier to Small Business

Making It Easy for State Agencies to Contract with Small Business

- Give each state agency full authority to acquire goods and services where and when needed.
- Give state agencies a directory of small business suppliers.
- Provide training to acquisition professionals regarding methods for structuring solicitations to enhance small business participation.
- Raise the small purchase threshold from \$100 to \$2,500, or higher.
- Raise the informal competitive bid limit (at least two quotes) from \$15,000 to \$25,000, or higher.
- Broaden state agency authority to establish multiple source contracts.
- Allow state agencies to use common sense and waive minor variations, informalities, or irregularities in a bid, and to accept a bid which generally conforms with the provisions set forth in the solicitation.

Making Sure Small Businesses Are Given a Fair Chance to Complete

- Provide dedicated staff throughout the State for advocacy and technical assistance services.
- Make every state agency develop a plan for increasing small business participation.
- Establish a lot more California Multiple Award Schedules with small business suppliers, and require that state agencies first consider offers from small businesses.
- Establish an Interagency Council on State Contracting and Business Partnerships to assure small business access to contracting opportunities and to increase large business use of small business subcontractors.
- Allow state agencies to consider supplier quality factors such as individual versus firm experience, availability, personalized service, and performance record.
- Establish a recognition and rewards program for State employees who make an outstanding contribution to the State's overall effort to increase small business participation.

Streamlining and Simplifying the Contracting Process

- Completely rewrite the law so that there is just one set of rules which is easy for everyone to read and understand.
- Get rid of all unnecessary certifications, paperwork, contract clauses, and bureaucracy, particularly for smaller transactions.
- Decrease the amount of time and effort needed to prepare bids.
- Protect trade secrets, corporate intellectual and proprietary property, and financial records from public disclosure.
- Decide any award protests within 30 days (as opposed to several months).
- Reduce post-award contract administration costs.
- Reward creativity and outstanding performance (i.e., through performance evaluations which can be used in making award decisions).

III. How You Can Help

Communicate your position by writing the Bill's Author or any Senate G.O. Committee member.

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